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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 15, 2000

JOINT PETITION OF

NISOURCE INC.,
NEW NISOURCE INC., AND
COLUMBIA ENERGY GROUP

CASE NO. PUA000024

ORDER FOR COMMENTS

On April 3, 2000, NiSource Inc., New NiSource Inc., and Columbia Energy Group ("Petitioners") filed their Joint Petition seeking approval under Chapter 5 of Title 56 of the Code of Virginia of the transfer of ownership and control of Columbia Gas of Virginia, Inc. ("CGV"). The stock of Columbia Energy Group, the parent company of GCV, would, if approval is granted, be acquired by New NiSource Inc. in accordance with the terms of an Agreement and Plan of Merger dated February 27, 2000, and amended March 31, 2000.

On June 1, 2000, the Staff of the State Corporation Commission ("Staff"), the Petitioners, and CGV entered into a Stipulation to resolve the issues raised by the Joint Petition. The Staff and the parties have agreed that, if adopted by the Commission, the Stipulation would result in a fair, reasonable and efficient resolution of the proceeding, would assure that the statutory standard set out in § 56-90 of the Code of

Virginia is met, and would otherwise protect the public interest.

NOW THE COMMISSION, having considered the Motion and the Stipulation, is of the opinion and finds that Petitioners, the Staff, and interested parties should be afforded an opportunity to submit comments on the Stipulation and its proposed resolution of this proceeding.

Accordingly, IT IS ORDERED THAT:

(1) Petitioners, Staff, or any interested party may filed comments on or before July 7, 2000.

(2) This matter is continued for further orders of the Commission.

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION**

JOINT PETITION OF

**NiSource Inc.,
New NiSource Inc., and
Columbia Energy Group**

CASE NO. PUA000024

**For approval of agreement and plan of
merger under Chapter 5 of Title 56 of
the Code of Virginia**

STIPULATION

This Stipulation, made and entered into as of the 1st day of June, 2000, sets forth an agreement among NiSource Inc., New NiSource Inc., Columbia Energy Group ("CEG") (collectively, the "Petitioners"), Columbia Gas of Virginia, Inc. ("CGV"), and the Staff of the State Corporation Commission ("Staff") as to a proposed resolution of the Joint Petition in the above-captioned case. The Joint Petition requests approval under Chapter 5, Title 56, of the Code of Virginia (§ 56-88 *et seq.*) of a proposed merger that would result in CEG becoming a wholly-owned subsidiary of New NiSource Inc. or of NiSource Inc. ("Proposed Merger"). The Staff, CGV, and the Petitioners believe that this Stipulation will efficiently and expeditiously resolve the issues raised by the Joint Petition, will assure the statutory standard of § 56-90 of the Code of Virginia is met, and will otherwise protect the public interest.

The signatories to this Stipulation will, as soon as possible after execution of the Stipulation, file it with the Virginia State Corporation Commission ("Commission"), together with a motion by the Staff, requesting that the Commission enter an order prescribing appropriate procedures for other parties to comment upon the issues presented in the Stipulation and, thereafter, for the Commission to enter an order approving the Stipulation and ordering such other actions and imposing such conditions as necessary to conclude this proceeding.

The stipulated agreements are as follows:

1. CGV has forecasted that it will make investments of \$137 million in net capital expenditures for the period 2000-2004 in order to extend its facilities to new customers and to maintain and improve the level of service to all customers. The Petitioners represent that CGV's planned level of customer service will not degrade as a result of the merger. Within ninety days of the end of each year, beginning on March 31, 2001, the Petitioners and CGV will provide Staff with details of all deviations, both positive and negative, from the current planned level of investment. Further, Petitioners and CGV will provide the Commission's Divisions of Economics and Finance ("E & F Division") and Energy Regulation ("Energy Division") with an explanation of the actions they will take, if any, to assure that such deviation from planned investment does not adversely affect customer service.
2. As part of the planned investments described in Paragraph No. 1, Petitioners and CGV undertake to, and agree they will, invest a minimum of \$36.1 million during the period 2000-2004 to: (i) replace facilities due to such facilities' age and condition and (ii) improve operating conditions across CGV's operating system. The Petitioners and CGV will file annual reports to the Energy Division detailing their expenditures for these plant investments.
3. The Petitioners represent that the Proposed Merger will not adversely impact the cost of service or cost of capital for CGV. Except as provided in paragraph 6 of this Stipulation, the Petitioners and CGV agree that if such adverse impact occurs, they shall not seek to recover any resulting cost increases from CGV's ratepayers. The Petitioners and CGV agree that if the credit rating of the debt of CEG or any entity that may raise capital on behalf of CGV is downgraded by a major credit

rating agency (i.e., S&P's, Moody's, or Fitch) due, in the opinion of the credit agency, wholly or in part to the Proposed Merger, New NiSource (or NiSource, as the case may be) and CGV shall notify the Commission within ten days of any such downgrade. As part of that notice, New NiSource and CGV will provide a credit agency report describing the downgrade and an explanation of how Virginia ratepayers can be prevented from paying higher rates due to increased costs as a result of the credit downgrading to the extent attributable to the Proposed Merger. Petitioners and CGV agree that the Commission has authority to implement the measures they may propose to prevent CGVs ratepayers from paying higher rates because of any credit downgrade attributable to the Proposed Merger.

4. The Petitioners and CGV agree to and will observe the following reporting requirements:
 - (a) Provide the E&F Division with CGV's cash flow projections for the next three years. Such projections shall be provided annually and may be included with CGVs annual financing plan.
 - (b) Provide the E&F Division annually, through a meeting or conference call, with information regarding the general corporate objectives of the consolidated operations of New T~iSource (or NiSource-, as the case may be) and their potential impact on CGV. Such information shall include information related to plans for restructuring, expected layoffs, dividend payments, capital expenditure requirements, reorganization of affiliate services, short-term financing, and affiliate service offerings such as distributed generation and energy sales, in CGVs service territory. Any confidential or commercially sensitive information provided by the

Petitioners or CGV shall be so designated and the Staff shall accord such information confidential treatment.

5. CGV waives its right to seek recovery of any accountants' fees, legal fees, shareholder communication and proxy solicitation expenses, New York Stock Exchange listing fees, costs of printing and engraving stock certificates, investment bankers' fees, consulting fees, or similar costs directly or indirectly related to the Proposed Merger from their Virginia jurisdictional customers.
6. CGV acknowledges that approval of this Stipulation neither obligates nor otherwise binds the Commission to allow recovery of an acquisition adjustment in CGV's cost of service.
7. CGV shall not make an application for base rate relief prior to October 31, 2001.
8. For a period of five years from the date of a Commission order approving the Proposed Merger, the Petitioners and CGV shall use their best efforts to track and maintain records of all costs and savings associated with the Proposed Merger.
9. The Staff, Petitioners, and CGV acknowledge that prior to completion of the Proposed Merger, the Petitioners may file one or more applications with the Securities and Exchange Commission ("SEC") under the Public Utility Holding Company Act of 1935 ("1935 Act") relating to the Proposed Merger. Copies of all such filings will be provided to the Staff. The Petitioners and CGV stipulate that the SEC has no jurisdiction under the 1935 Act over the rates and services of CGV that are regulated by the Virginia State Corporation Commission. It is intended that, after the Proposed Merger, the Commission will have the same ratemaking and regulatory authority to regulate the rates, services, and affiliated

relationships of CGV as it did prior to the Proposed Merger.

10. The Petitioners and CGV and their affiliates shall bear the full risk of any preemptive effects of the 19') 5 Act. The Petitioners and C GV and their affiliates shall take all such actions as the Commission finds are necessary and appropriate as a result of possible 1935 Act preemptive effect to hold Virginia ratepayers harmless from rate increases, or foregone opportunities for rate decreases. Such actions may include, but are not limited to, filing with and seeking to obtain approval from the SEC for such commitments as the Commission deems reasonably necessary to prevent such preemptive effects.
11. The Petitioners represent that the Proposed Merger will not materially impact the quality of service provided by CGV due to material reduction in the number of employees necessary to provide such service to CGV's customers.
12. New NiSource (or NiSource as the case may be) and CGV agree to consult with the Energy Division before implementing any major changes to systems (such as those relating to billing) which affect the quality of CGV's customer service.
13. New NiSource (or NiSource as the case may be) and CGV agree to maintain a high level of cooperation with the Staff; and *will, inter alia*, take all actions necessary to ensure CGV's timely response to informal data requests submitted by the Staff with respect to CGV's provisions of service in Virginia.
14. The Petitioners and CGV agree that their failure to observe or carry out any of the provisions of this Stipulation shall be deemed a non-compliance with this Stipulation, and each of such parties will promptly notify the Staff should any of them not be in compliance with, or be unable to carry out and observe, any provisions of this Stipulation.
15. The Petitioners and CGV agree that the Commission has full authority under the

law to authorize the actions contemplated herein and to enforce the terms of this Stipulation if approved and adopted by the Commission as part of any order entered in this matter. The Petitioners and CGV agree not to challenge or defend against, in any forum, on the grounds of federal preemption under the 1935 Act, any Commission authority set forth or referred to in this Stipulation. Further, Petitioners and CGV agree to oppose any challenge or defense raised by any other party that seeks to abrogate the Stipulation or the Commission's authority on the grounds of federal preemption under the 1935 Act. The Petitioners and CGV agree to support affirmatively the provisions of the Stipulation in all respects.

16. The Petitioners, CGV, and Staff represent and acknowledge that this Stipulation, if approved by the Commission, would result in full and fair resolution of the issues raised in Case No. PUA000024. This Stipulation reflects a balancing -of many important interests put forward in these proceedings by, or affecting, the Petitioners, CGV, and Staff. If the Commission does not intend to approve all aspects of this Stipulation, then the Petitioners, CGV, and Staff respectfully request that the Commission (a) notify them of such intention and the basis thereof and (b) allow them three days to attempt to reach a modified stipulation that addresses the Commission's concerns. If no such time period is permitted by the Commission, or if no such modified stipulation is reached within three days, then the Petitioners, CGV, and Staff, or any of them, may withdraw their support of this Stipulation and request to be heard on any issues raised in this proceeding.

IN WITNESS WHEREOF, the following corporations have caused this Stipulation to be executed, acknowledged, and delivered on their behalves by their respective officers identified below:

Columbia Energy GroupNfichael W. O'Donnell

Columbia Gas of Virginia, IncAnthony Trubisz, Jr.

NiSource Inc Mark T. Maassel

New NiSource Inc Mark T. Maassel